



Cabinet Agenda

Wyre Borough Council
Date of Publication: 24 November 2015
Please ask for : Duncan Jowitt
Democratic Services and Councillor
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**Cabinet meeting on Wednesday, 2 December 2015 at 6.00 pm
in the Council Chamber, Civic Centre, Poulton-Le-Fylde**

1. Apologies for absence

2. Declarations of interest

Members will disclose any pecuniary and any other significant interests they may have in relation to the matters to be considered at this meeting.

3. Confirmation of minutes

(Pages 1 - 4)

To confirm as a correct record the minutes of the meeting of the Cabinet held on 21 October 2015.

4. Public questions

To receive and respond to any questions from members of the public.

Public questions can be delivered in writing to Democratic Services or sent by email to: democratic.services@wyre.gov.uk. Public questions for this meeting must be received by noon on Thursday 26 November 2015. Questioners should provide their name and address and indicate to which Cabinet member the question is to be directed.

The total period of time allocated for public questions will not normally exceed 30 minutes.

5. Waste Management - Review of Garden Waste Collection Service

(Pages 5 - 14)

Report of the Street Scene, Parks and Open Spaces Portfolio Holder and Corporate Director of People and Places

6. Treasury Management Activity April 2015 to September 2015

(Pages 15 - 20)

Report of the Resources Portfolio Holder and Corporate Director of Resources

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Cabinet Minutes

Minutes of the Cabinet meeting of Wyre Borough Council held on Wednesday 21 October 2015 at the Civic Centre, Poulton-le-Fylde.

Cabinet members present:

Councillor Peter Gibson (The Leader of the Council)
Councillor Roger Berry (Neighbourhood Services & Community Safety Portfolio Holder)
Councillor Lynne Bowen (Leisure & Culture Portfolio Holder)
Councillor David Henderson (Street Scene, Parks & Open Spaces Portfolio Holder)
Councillor Pete Murphy (Planning & Economic Development Portfolio Holder)
Councillor Alan Vincent (Resources Portfolio Holder and Deputy Leader)

Apologies:

Councillor Vivien Taylor (Health & Community Engagement Portfolio Holder)

Officers present:

Garry Payne (Chief Executive)
Philippa Davies (Corporate Director of Resources)
Michael Ryan (Corporate Director of Resources)
Duncan Jowitt (Democratic Services Officer)

Non-members of the Cabinet present:

Councillors Terry Lees, Brian Stephenson and Shaun Turner

No members of the public or press reporters attended the meeting.

CAB.21 Declarations of interest

None

CAB.22 Minutes

The minutes of the Cabinet meeting held on 9 September 2015 were confirmed as a correct record.

CAB.23 Public Questions

None

CAB.24 A New Strategy for Sport: Consultation Paper

The Chairman of the Sports Strategy Consultation Group, Cllr S Turner, and the Corporate Director of Resources submitted a report seeking Cabinet's endorsement of the consultation group's response to the Department for Culture, Media and Sport's paper published in August 2015.

Decision taken

Cabinet formally endorsed the consultation response, which the consultation group had already submitted to the Department for Culture, Media and Sport in order to meet the deadline on 2 October 2015.

CAB.25 Health and Fitness Equipment – Fleetwood Leisure Centre

The Leisure and Culture Portfolio Holder and Corporate Director of People and Places submitted a report asking Cabinet to agree the purchase of health and fitness equipment for Fleetwood Leisure Centre.

Decision taken

Cabinet agreed to purchase health and fitness equipment for Fleetwood Leisure Centre to the value of £133,922 excluding VAT, incorporating the scheme in the Council's 2015/16 Capital Budget, an investment to be recovered over a 5-year period via contributions from the YMCA's operational budget.

Approval was given to proceed using YMCA's preferred supplier Lifefitness under the exemption to Contract Procedures contained within the Financial Regulations and Financial Procedure Rules, on the grounds that exceptions may apply where "the goods, works or services constitute an extension or variation of an existing contract, or are required urgently, or the goods/materials, works or services consist of repairs to, or the supply of parts for existing proprietary plant or equipment."

CAB.26 Cost Profiles – benchmarking results 2015/16

The Resources Portfolio Holder and Corporate Director of Resources submitted a report asking Cabinet to consider the findings of the 2015/16 benchmarking study, a key element used to demonstrate that the Council has proper arrangements in place for securing value for money.

Decision taken

Cabinet considered the benchmarking information and agreed that the findings be used to influence future service reviews.

CAB.27 Capital Programme Review and Monitoring Report

The Resources Portfolio Holder and Corporate Director of Resources submitted a report asking Cabinet to consider the summary of the Spending Officers' (April to end September 2015) review of the 2015/16 Capital Budget and its impact on the Capital Programme thereafter.

Decision taken

Cabinet agreed that the Capital Programme and its funding be updated to reflect the changes indicated in the report and that the impact on the Revenue Budget be reflected in the Medium Term Financial Plan and future revisions of the Revenue Estimates.

The meeting started at 6pm and finished at 6.17pm.

Date of Publication: 23 October 2015

Options considered but rejected

Any alternative options that were considered but rejected, in addition to the reasons for the recommendations that were made, are included in the full reports.

When will these decisions be implemented?

All decisions will be put into effect five working days from the date of publication, unless a decision is "called-in" by any four Members of the council within that period. The "call-in" procedure is set out in [Part 4 of the Council's Constitution](#) (Paragraph 16 of the Overview and Scrutiny Procedure Rules). If a decision is "called-in", the Overview and Scrutiny Committee may decide that the original decision should be upheld or ask Cabinet to reconsider the decision.

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| Report of: | Meeting | Date | Item no. |
|--|---------|-----------------|----------|
| Cllr David Henderson Street Scene, Parks and Open Spaces Portfolio Holder and Michael Ryan Corporate Director People and Places. | Cabinet | 2 December 2015 | 5 |

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| Waste Management – Review of Garden Waste Collection Service |
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1. Purpose of report

- 1.1 To advise Cabinet of a reduction in funding from Lancashire County Council following their decision to terminate the Cost Sharing Arrangement from March 2018.
- 1.2 To explain the potential for the introduction of a charge for green waste collections.
- 1.3 To explain the wider issues affecting the Council based on potential changes by LCC.

2. Outcomes

- 2.1 The provision of a collection for green waste.

3. Recommendation/s

- 3.1 That Cabinet agree to the introduction of a charge for green waste collections if possible from 1 April 2016 but no later than 30 June 2016.
- 3.2 That the provision of additional green waste bins cease with immediate effect until the subscription service is launched.

4. Background

- 4.1 In November 2005 Cabinet agreed that the Council should enter into the Property Based Payment Agreement (cost sharing) as soon as possible. The contract was subsequently approved in February 2006.

- 4.2** The Cost Sharing agreement was introduced as an enhanced system to the former recycling credits to enable districts that signed up to it to invest in kerbside recycling collections to help reach the Lancashire Waste Strategy Targets of 90% of households receiving a three-stream collection.
- 4.3** The Cost Sharing Agreement had a number of conditions that the Council had to adhere to, these are not limited to but principally relate to the following:
1. There must be a minimum of 90% of properties within the borough served by a three-stream waste collection service.
 2. Introduction of an alternate week collection for residual waste.
 3. Green waste collected fortnightly.
 4. Dry recyclates must be collected at least fortnightly (paper, card, glass, plastic bottles, cans and textiles).
 5. Collection of residual and recyclates on the same day of the week.
- 4.4** The original cost sharing agreement paid £14.92 per compliant property and this was index linked to RPI each year. In 2012/13 the payment per property was £19.05, totalling £943,927 in the year.
- 4.5** LCC also agreed to pay a 'Loss of Recycling Income (LORI)' payment to districts for the loss of recyclate income when districts started using the new PFI facilities. This was calculated based on the 2003/04 recycling tonnages for paper and was indexed linked to RPI.
- 4.6** The Agreement was reviewed in 2012 following budgetary pressures at Lancashire County Council. Following the Cabinet meeting in October 2012 a fixed level of support for a 5 year period bringing together both the Cost Sharing Agreement and LORI payment was implemented with effect from April 2013. The total value of support offered for the five year period commencing April 2013 was £5,077,497 / £1,015,499 per annum.
- 4.7** LCC indicated following a Cabinet meeting held in October 2013 in subsequent correspondence with the Lancashire districts in January 2014 that the Cost Sharing Agreement would not be extended beyond its current term. Their rationale for this was that legislation is now in place requiring District Councils to undertake separate collections and that districts were reliant on the payments from LCC. In January 2014 LCC adopted a new Policy position statement in relation to payments linked to recycling and have offered to fund a review of collection services across Lancashire in order to establish what potential opportunities are available to achieve savings on collection services either individually or jointly.
- 4.8** LCC has asked the Waste Resources Action Programme (WRAP) to commission and manage this support in order for the review to be seen to be independent.

4.9 The Invitation to Tender for the Lancashire Waste Collection Efficiency Review Project has now been issued and will be undertaken in accordance with the following timescales.

- Deadline for receipt of questions relating to this tender 12th August 2015
- Deadline for receipt of tender submissions 20th August 2015
- Notification of WRAP's decision 28th August 2015
- Commencement of work 1st September 2015
- Completion of work 26th February 2016.

5. Key issues and proposals

5.1 This decision of Lancashire County Council to cease the cost sharing arrangement leaves a significant funding gap for the Council, with a loss of £980,000 per annum which is currently used to support the Council's waste and recycling services.

This loss of income is in addition to other central budget cuts affecting the Authority.

5.2 Wyre Council can choose to levy a charge for residents for the collection of green waste (and in fact did so prior to the introduction of wheeled bins). A charge is already made by around a third of Local Authorities in the UK, including Pendle within Lancashire. Many districts in Lancashire are also considering introducing a charge to offset the loss of funding from Lancashire County Council.

Charges and participation rates vary widely from authority to authority, with fees ranging from £24 to £80 per bin per year and participation rates from as little as 3% to over 70%.

To offset the reduction in funding by Lancashire County Council, Officers have considered a number of options and would suggest the following conditions be applied early in the financial year 2016/17.

- Residents instructed to place food waste in their grey residual bins. Food waste will still be processed and LCC have already indicated that they require more biodegradable material through the Mechanical Biological Treatment Process (MBT).
- Introduce a £30 per year subscription charge for a green domestic size waste bin collection (1 wheeled bin x 22 collections per year – with no collections from early December to mid-January. This equates to a cost per collection of £1.36, an average of £0.58 per week.
- Each additional wheeled bin will incur a subscription fee of £25 per annum.
- There will be no reductions for part year subscription.
- There will be no discounts for multiple year contracts.

- There will be no refunds or the ability to transfer the subscription to another property.
- The same subscription fee will be applied for the full range of domestic sized wheeled bins.

The introduction of a charge would involve initial set-up costs which some authorities have reported as being in the region of £100,000.

Wheeled bins no longer required would be collected within 5 months of the start-up of the subscription service, and would then be reused as replacements. This time lag is proposed based on the experience of other Local Authorities that saw residents take up the service part way through the initial subscription year following an initial reluctance and will therefore reduce unnecessary movements and storage.

A reduced take up of the service would inevitably reduce the Council's recycling rate and therefore the Council may not meet the national target of 50% recycling by 2020. Green waste composting currently accounts for half of Wyre's recycling rate which has reached the 50% target in 2014/15. The EU and Government have not indicated what the ramifications may be to Local Authorities that do not meet the targets. There is also the risk that customers will put green waste in their residual bin which will again impact on the recycling rates and could lead to the requirement for increased resources to collect the additional waste from residual bins.

Residents would be advised of alternative options for managing their garden waste, e.g. they could take it to their local household waste recycling centre or consider home composting which has the least environmental impact as it stops unnecessary transportation of materials.

The following risks and mitigating actions with this report were identified as:

| Risk description | Mitigating actions |
|---|---|
| Impact on customers – introduction of a charge | Apply a charge which is reasonable and in line with other Councils. Ensure alternatives to this service are promoted. |
| Adverse impact on reputation of the Council | Communications strategy to ensure reasonableness of charge is communicated and the impact on other Council services of not introducing this charge. |
| Low participation rates - means income does not cover cost of the service | Seek to reduce costs at every opportunity. Review service after first year of operation. |

| | |
|---|---|
| Impact on the environment – reduction in recycling rate, not meeting EU targets of 50% recycling in 2020 and an increase in fly tipping | Promote alternative methods of recycling / composting to residents to reduce the amount of green waste which ends up in the residual bin or dumped. |
|---|---|

The following opportunities have been identified

| Opportunity description | Positive actions to increase likelihood / impact. |
|--|---|
| Additional income resulting from higher than anticipated participation | Strong promotion of the service. Affordable charge. Easy payments methods. |
| Reduction in future costs of the service | Reduction in service demand means no additional green waste rounds will be needed. Possibility of reducing rounds once the new service is embedded. |

A flat rate is recommended to ensure residents all have equal access to the service providing a 26t RCV can get access.

It is not proposed that discounts be made available for those in receipt of benefits due to the additional cost of validating eligibility for discounts, and processing different payments.

Householders contaminating bins or attempting to use the service fraudulently will be barred from the service. Refer to Appendix 1 for suggested Terms and Conditions.

5.3 Potential future challenges or opportunities

LCC have been clear in their Policy position and correspondence to Districts that the Cost Sharing Arrangement will terminate in 2018.

Wyre must plan to make changes to ensure that it meets its legal duties with regard to residual waste and dry recycling. If LCC were to offer some form of financial incentive, it is likely to be based on stretch targets (recycling or residual waste), which would require some form of investment, change in operational methods, or restructure to focus efforts further on waste minimisation, recycling and behaviour change. At this stage there are too many uncertainties to be able to project potential implications / opportunities.

| Financial and legal implications | |
|---|--|
| Finance | A charge of £30 for the first bin is proposed, being consistent with Authorities in the North West that have already implemented a charge. A discounted rate of £25 for each additional bin will be levied, with no further discounts for multiple bins. |

The upfront one-off costs associated with implementing the scheme in Year 1 are estimated at £100,000, based on the experience of other similar local authorities. The estimate reflects the cost of administering the charge and includes expenditure on staffing, printing and postage.

The actual number of properties currently participating in the green waste scheme is unknown but based on the number of wheeled bins lifted (emptied) over a number of collection cycles the income at various take-up rates is as follows:-

| Anticipated take-up | Number of bins | Income based on £30 per bin |
|----------------------------|-----------------------|------------------------------------|
| 100% | 26,624 | £798,720 |
| 75% | 19,968 | £599,040 |
| 50% | 13,312 | £399,360 |
| 40% | 10,650 | £319,500 |
| 30% | 7,988 | £239,610 |
| 25% | 6,656 | £199,680 |
| 20% | 5,325 | £159,750 |

**the above table profiles the potential income based on a flat rate take-up of one bin only.*

The percentage uptake is critical to the success of the proposal and although the take-up rate is not known, based on the experiences of other Local Authorities 20%-40% would be considered a realistic estimate. Once demand for the service is determined it may be possible to reduce the number of collection crews and make further reductions in the cost of operating the service, but this would have to be done through negotiation with Veolia.

For the purposes of inclusion in the Medium Term Financial Plan, an assumed take up rate of 30% will be used. Once the scheme has been established, further monitoring and analysis will be carried out to improve the accuracy of the forecast.

The withdrawal of the Costs Sharing Arrangement with LCC results in a loss of income of £980,000 in 2018/19. The introduction of a charge for the collection of green waste at an anticipated take up rate of 30% is expected to generate income of £239,610. In the pre implementation period there are one-off administration costs of up to £100,000.

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|-------|---|
| Legal | <p>A council may recover a reasonable charge for the collection of green or garden waste under Section 4 of the First Schedule of the Controlled Waste (England and Wales) Regulations 2012 and s.45(3) of the Environmental Protection Act 1990. However, Wyre will need to instruct residents to stop putting food waste into their green garden waste bins.</p> <p>LCC as the Waste Disposal Authority would need to be consulted as it is recommended that the changes are introduced whilst the Costs Sharing Agreement is still in place.</p> <p>An online consultation exercise will be undertaken in accordance with the Best Value duty to consult.</p> <p>The Contract with Veolia allows for variations in the service and they are fully engaged in the process, but there may be financial impacts should the residual waste tonnage increase.</p> <p>In proposing revised arrangements for the collection of garden waste the Council is required to have regard to the provisions of the Equalities Act 2010 and s.17 of the Crime & Disorder Act 1998. Nothing within the proposals to charge for the collection of waste contravenes the provisions of these Acts.</p> |
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Other risks/implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

| risks/implications | ✓ / x |
|------------------------|-------|
| community safety | x |
| equality and diversity | x |
| Sustainability | x |
| health and safety | x |

| risks/implications | ✓ / x |
|--------------------|-------|
| asset management | x |
| climate change | x |
| data protection | x |

| report author | telephone no. | email | Date |
|---------------|---------------|--|---------|
| Ruth Hunter | 01253 88747 | ruth.hunter@wyre.gov.uk | 6/11/15 |

| List of background papers: | | |
|-----------------------------------|------|--------------------------------|
| name of document | date | where available for inspection |
| | | |

List of appendices

Appendix 1 Draft Terms and Conditions

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Appendix 1 - Draft Terms and Conditions of the Garden Waste Subscription Service

- 1 You have agreed to pay Wyre Council to collect garden waste that has been placed in a green domestic size wheeled bin (360 litre or below). The period of collection for 20xx/xx runs from 1st XXXX 20xx to xxth xxxx 20xx. However you can put your new sticker(s) on your bin(s) as soon as you get it/them.
- 2 In line with the Distance Selling Regulations, you have fourteen working days from receipt of these Terms and Conditions to request cancellation of this service. Requests to cancel the service must be in writing to Waste Services, Civic Centre, Breck Road, Poulton Le Fylde, FY6 7PU or emailed to mailroom@wyre.gov.uk. Cancellations cannot be accepted by phone.
- 3 For your property to be eligible to subscribe to this service, we have to be able to get access with a 26t RCV. If this is not possible you will not be able to participate.
- 4 Our crew will not empty any bin that does not display a valid current sticker, unless instructed to by a supervisor. If your sticker becomes detached or lost, contact us mailroom@wyre.gov.uk or 01253 891000.
- 5 There will be no reductions for part year subscriptions and no refunds or part refunds for the cancellation of the service part way through the year. If there is evidence of misuse of the service or the bin by you, then the service may be cancelled. There will be no refund in these circumstances.
- 6 We empty green bins fortnightly, except for a short period over Christmas and New Year (usually a 4 week period) or when other factors stop us, such as very bad weather. If we miss your bin, we will do our best to collect it as soon as possible. We do not give refunds for missing a bin or being unable to collect a bin.
- 7 Your green bin(s) must be used for garden waste from domestic properties only (yours or your neighbour). Only garden waste may be placed loose in the bin. Garden waste includes grass cuttings, hedge clippings, tree loppings, twigs, bark, leaves, straw, hay, flowers, plants, small branches, fallen fruit and rabbit bedding, but not large branches, turf, earth, soil, stones, gravel etc. The garden waste must not be placed in plastic bags, as this affects the composting process. Food waste CANNOT be placed in the garden waste bin.
- 8 If you employ a gardener or handyman service to maintain your garden, they should make provision to take away the waste and dispose of it as commercial waste.
- 9 Contaminated bins (i.e. bins containing incorrect materials) will not be emptied. If your bin is contaminated, it is your responsibility to remove the item(s) of contamination prior to the next collection. If the contamination continues, we may remove the bin(s) and no refund applied.

- 10 The bin lid(s) must be completely closed and no side waste will be collected, i.e. no extra waste next to the bin(s) or placed on the lid(s). If the bin is too heavy to be lifted safely, the householder will be expected to remove some green waste making it safe to lift for the next scheduled collection.
- 11 The bin(s) is provided for use by residents, but remains the property of the Council. There is no limit to the number of bins a households can subscribe to for their property. The first bin will be charged at the rate of £30 for the period the service runs and subsequent additional bins at £25 per bin. Only bins supplied by the Council will be emptied. Bins supplied may be recycled ones. Garden waste presented in any other receptacles will not be collected. Bulk containers (only provided in exceptional circumstances), will be levied a fee according to their size, e.g 960 litre bin – a fee of £120.
- 12 If the bin is damaged through neglect or misuse, the cost of repair or replacement may be recharged to you. If your bin is damaged, email mailroom@wyre.gov.uk or call us on 01253 891000.
- 13 If you move to another address in Wyre, do not take your bin(s) with you. The bin must remain at the address for which the subscription was paid.
- 14 Payment is required every year in advance using the online payment service by debit or credit card. You will be notified of the charge and payment date in XXXXX each year. If you don't pay by the specified payment date, we will withdraw our service until such time as you re-join the scheme.

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| Report of: | Meeting | Date | Item no. |
|---|---------|--------------------|----------|
| Cllr. Alan Vincent, Resources Portfolio Holder and Philippa Davies, Corporate Director of Resources | Cabinet | 2 December 2015 | 6 |

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| Treasury Management Activity April 2015 to September 2015 |
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1. Purpose of report

1.1 To report on the overall position and activities in respect of Treasury Management for the first half of the financial year 2015/16.

2. Outcomes

2.1 An informed Cabinet who have an understanding of Treasury Management activity, in line with the approved Treasury Management Policy and Strategy Statements and Treasury Management Practices.

3. Recommendation/s

3.1 That the Annual Report on Treasury Management Activity for the first half of the 2015/16 financial year be approved.

3.2 That the changes to the credit methodology whereby viability and support ratings (Fitch) and the financial strength rating (Moody's) will not be considered as key criteria in the choice of creditworthy investment counterparties be approved.

4. Background

4.1 In order to demonstrate compliance with the CIPFA Code of Practice for Treasury Management a review of the Treasury Management Policy Statement, Treasury Management Procedures, Strategy and Minimum Revenue Provision Policy Statement is undertaken each year and reported to Cabinet in March. The Council, in accordance with legislation is also formally required to approve the formulation of the plan or strategy for the control of the authority's borrowing, investments or capital expenditure and for the determination of the authority's minimum revenue provision. This is agreed by Council in April.

- 4.2** A requirement of the Treasury Management Code of Practice is the reporting of the results of treasury management activity twice a year. This report covers the six months ending 30 September 2015. A further report including activity for the 2015/16 financial year in its entirety will be considered by Cabinet in July 2016.
- 4.3** The Treasury Management Procedures indicate that the report should include the following issues, where relevant:
- a) Total debt and investments at the beginning and end of the review period and average interest rates;
 - b) Explanations for variance between original strategies and actual;
 - c) Debt rescheduling done in the year;
 - d) Actual borrowing and investment rates achieved through the year;
 - e) Comparison of return on investments to the investment benchmark; and
 - f) Compliance with Prudential and Treasury Indicators.

5. Key issues and proposals

- 5.1** The main rating agencies (Fitch, Moody's and Standard and Poor's) have, through much of the financial crisis, provided some institutions with a rating uplift due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these 'uplifts' with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies now take into account additional factors, such as regulatory capital levels. In some cases, these factors have 'netted' each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency. In keeping with the agencies' new methodologies, the credit element of Capita Treasury Solutions Ltd credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used by Standard & Poor's, this has been a change to the use of Fitch and Moody's ratings. All other key elements of the Capita Treasury Solutions Ltd credit assessment process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.
- The rating agency changes do not reflect any changes in the underlying status of the institutions, merely a reassessment of their methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were

formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the 'support' phase of the financial crisis.

- 5.2** The table below illustrates the Council's debt and investment position at the beginning of the 2015/16 financial year and as at 30 September 2015:

| | 1 st April 2015 | 30 th September 2015 |
|-------------------------------------|----------------------------|---------------------------------|
| | £ | £ |
| Loans - Temporary | 0 | 0 |
| - Cash Overdrawn | 0 | 0 |
| Total Short term Debt | 0 | 0 |
| Loans - Long Term Borrowing | 1,552,000 | 1,552,000 |
| Total Long term Debt | 1,552,000 | 1,552,000 |
| Investments - Temporary | 16,512,269 | 17,934,184 |
| Cash in Bank | 223,428 | 37,165 |
| Cash held by the Authority | 2,214 | 2,724 |
| Total Short term Investments | 16,737,911 | 17,974,073 |

- 5.3** The Prudential Code for Capital Finance aims to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. The code sets out indicators that must be used and requires local authorities to set relevant limits and ratios. The indicators for the 2015/16 financial year were originally considered by Cabinet 18 February 2015 and agreed at Council on 5 March 2015. During the six months to 30 September 2015 the Council operated within these treasury limits and Prudential Indicators.
- 5.4** The 2015/16 Budget assumed no additional long term borrowing and capital schemes were to be funded by grants and contributions, capital receipts and the Capital Investment Reserve.
- 5.5** From 1 September 2011, and following a cost/benefit analysis it was decided to cease the formal overdraft facility. The formal overdraft facility used to cost the Council £2,000 plus 1% over the base rate for overdrawn net balances over £500,000. The new arrangement now incurs charges at 4% over the current base rate for net overdrawn balances with no annual arrangement fee. There have been no instances when the Council's net bank account position was overdrawn during the period April to September 2015.

5.6 There were no short-term borrowing transactions (i.e. less than 365 days) during the first six months of 2015/16.

5.7 Interest payments in respect of short term and long term borrowing for the first half of the financial year are on target and total £34,415 compared to a budgeted figure of £68,830 for the full year. Including miscellaneous payments and an overstated creditor provision in 2014/15 the actual at 30 September is £34,207 compared to a full year budget of £73,950. The budget includes £5,000 for interest in the latter part of the financial year due to potential temporary borrowing being required as income from Council Tax reduces during February and March.

5.8 The Council has continued to invest any surplus balances with the Council's Bank, NatWest on call deposit facility, Money Market Funds (MMF) with Prime Rate Capital Management, LGIM and the Bank of Scotland (Overnight/Call account and fixed rates 95 day and annual notice facilities). However, in view of the current cash balance, the low interest rates of the MMF's and a reduced rate from the Nat West on call deposit facility, a new on call account has been opened and utilised with Svenska Handelsbanken and new notice accounts have been opened and utilised including Nationwide 3 month fixed, Santander 60 and 31 day notice, Goldman Sachs International Bank 3 month fixed and Svenska Handelsbanken 35 day notice. There have been four occasions where funds greater than £100,000 have remained in the Council's accounts overnight as a surplus balance in the first six months of 2015/16. There has also been one instance between 1st and 16th April 2015 where the £6m investment limit for Money Market Funds was breached by between £3m and £5.9m which was when new notice accounts were in the process of being opened and this has not happened since. The spreadsheet used for the daily management of funds includes a control which identifies a warning flag when established limits are exceeded. Unfortunately these were not updated to reflect the new investment limits as agreed by Cabinet in March. The creation of the new spreadsheet with effect from 1 April will be authorised by a senior officer to prevent any recurrence.

The equated investments for the first half of 2015/16 are detailed in the following table:-

| | Equated Investment Principal | Interest Due | Rate of Return | Benchmark Return |
|------------------------------------|------------------------------|--------------|----------------|------------------|
| | £ | £ | | |
| NatWest Call Account | 942,502 | 3,856 | 0.41% | 0.35% |
| Money Market Funds | 2,884,511 | 13,185 | 0.46% | 0.35% |
| Bank of Scotland (Overnight/ Call) | 279,605 | 1,119 | 0.40% | 0.35% |
| Bank of Scotland (Fixed) | 1,998,274 | 12,597 | 0.63% | 0.35% |

| | | | | |
|--|------------------|---------------|--------------|--------------|
| Svenska Handelsbanken (Instant Access) | 673,565 | 2,357 | 0.35% | 0.35% |
| Svenska Handelsbanken (35Day Notice) | 978,082 | 4,402 | 0.45% | 0.35% |
| Nationwide BS (3 Month Fixed) | 810,274 | 4,051 | 0.50% | 0.35% |
| Santander (60 Day Notice) | 369,863 | 2,774 | 0.75% | 0.35% |
| Santander (31 Day Notice) | 246,575 | 1,603 | 0.65% | 0.35% |
| Goldman Sachs IB (3 Month Fixed) | 747,945 | 4,001 | 0.53% | 0.35% |
| Total | 9,931,196 | 49,945 | 0.50% | 0.35% |

- 5.9** The table above reflects that investments earned an average return of 0.50% against a benchmark LIBID (London Interbank Bid Rate) 7-day average of 0.35%. The Bank of England base rate has remained at 0.5%.
- 5.10** Interest receivable on investments for the first half of the financial year is £34,781 (or £35,131 including miscellaneous items) compared to an annual budget of £63,070. The rate of interest received is expected to reduce through the second part of the year as funds available for investment diminish as a result of increased capital expenditure and reduced levels of Council Tax income in the last quarter of the year
- 5.11** Within the Council's current Annual Investment Strategy, the Investment Policy criteria are based on Sector's creditworthiness service. The Council, to date, has adopted a very cautious approach and regularly monitors organisations with which investments are held to ensure they meet the Investment Policy criteria.

| Financial and legal implications | |
|---|---|
| Finance | Considered in detail in the report above. |
| Legal | The approval of the recommendations will ensure compliance with the CIPFA Code of Practice. |

Other risks/implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

| risks/implications | ✓ / x |
|------------------------|-------|
| community safety | x |
| equality and diversity | x |
| sustainability | x |
| health and safety | x |

| risks/implications | ✓ / x |
|--------------------|-------|
| asset management | x |
| climate change | x |
| data protection | x |

| report author | telephone no. | email | date |
|---------------|---------------|-------------------------|----------|
| Julie Woods | 01258 887601 | Julie.woods@wyre.gov.uk | 02/11/15 |

| List of background papers: | | |
|----------------------------|------|--------------------------------|
| name of document | date | where available for inspection |
| | | |

List of appendices

None

arm/ex/cab/cr/15/0212jw2